

1210.11 Imprest Cash

Issued January 1, 1994

SUBJECT: Imprest Cash.

APPLICATION: Executive Branch Departments and Sub-units.

PURPOSE: To provide guidelines for establishing, using, and accounting for imprest cash authorizations, effective use of imprest cash, and replenishment and reconciliation of imprest cash accounts.

CONTACT AGENCY: Department of Management and Budget (DMB) - Office of Financial Management (OFM).

TELEPHONE: 517/373-1011

FAX: 517/373-6458

SUMMARY:

Each department director is responsible for both administration and use of imprest cash. Such responsibility may be delegated to the chief financial officer. The chief financial officer may assign administrative and custodial responsibility for imprest cash checking accounts, cash boxes and change drawers to designated agency personnel. Each agency is to establish an imprest cash checking account with Department of Treasury. The director of OFM must review requests before agencies establish checking accounts or change approved amounts of existing accounts.

Each department's chief financial officer is responsible for establishing a cash box, change drawer, and amount for which they are established. Documentation of criteria used in determining distribution of amounts must be available for audit. Imprest cash checking accounts are used to finance cash boxes and change drawers. Approved amounts of cash boxes and change drawers are accounted for as reconciling items between the checkbook balance and checking account's approved amount. The OFM reviews checking account distribution.

Imprest cash may be used for certain vendor payments, travel advances, certain emergency payments, cash box replenishments, and payments approved by OFM as more specifically set forth below.

Authorized Use:

- Payment less than \$100.
- Vendor payment greater than \$100, but less than \$5,000, if vendor terms are 10 days or less, and payment is necessary to take advantage of discounts or avoid penalties. Vendor terms cannot be more stringent for state agencies than for any other customer.
- Vendor payment less than \$500, if vendor requires payment along with registration or order forms; a copy of the registration or order form must be available for audit.
- Travel advances in accordance with standardized travel regulations.
- Payroll payment: Maximum salary and wage payment which may be paid is 100% of employee's net pay.
- Payment for salaries and wages due if:
 - Employee is being discharged.

- Payroll warrant was lost.
- Personnel Payroll Information System for Michigan (PPRISM) entries could not be made in time to generate a payroll warrant; or PPRISM entries were entered incorrectly through no fault of the employee.
- Certain emergency payments. (See Glossary.)
- Cash box replenishment.
- Payment for which written approval has been obtained from the OFM; approval is valid for 1 year from date granted, unless otherwise stated.

Unauthorized Use:

- Advance payment to a vendor for whom a payment voucher has been or will be processed for the same liability.
- Advance payment to a vendor representing a loan.
- Amount exceeding checkbook balance.
- Check payable to cash, to another imprest cash account, or on behalf of another imprest cash account.
- Check establishing a new checking account, or increasing an existing checking account if action has not been pre-approved by OFM.
- Payment against expenditure account with insufficient spending authority.
- More than 1 check, for amounts less than \$100 for payment to same vendor if total payment due is \$100 or more, when the purpose is to circumvent this procedure.
- Payment of invoices from the same vendor, totaling \$100 or more.
- Payment of \$100 or more to a postmaster.

Imprest cash may not be commingled with other monies. Separate cash boxes and checking accounts are maintained for imprest cash and working funds. An imprest cash change drawer may be used in transactions for tax receipts, fees or permits, but the same drawer cannot be used for resident working funds.

Imprest cash checking accounts are replenished by Form A-2-A, Imprest Cash Journal Voucher, processed by agency's accounting office.

The OFM reviews and recommends approval of requests for establishing new imprest cash authorization or any change to an existing authorization. All changes to existing authorization balances are approved by the State Administrative Board.

If flagrant and continued non-compliance with this policy has been found during the course of the compliance audit by OFM, imprest cash checking account privilege may be suspended or imprest cash authorization balance reduced.

The OFM reviews compliance with this policy as a part of the audit process. Request for additional imprest cash authorization may result in compliance review.

APPLICABLE FORMS: A-2, Request for Journal Voucher.
A-2-A, Imprest Cash Journal Voucher.
A-23, Travel Expense Voucher.
A-24-A, Imprest Cash Receipt.
A-29, Receipts Voucher.
A-30, Payment Voucher.
A-771, Travel Advance Ledger.
A-772, Imprest Cash Travel Advance Request.
A-773, Imprest Cash Payroll Payment Request.
A-774, Replenishment Request.
A-775, Reconciliation Report.
A-777, Emergency Vendor Payment Request.
F-1193, Stop Payment.
M-1002, Affidavit.
M-1004, Request for Stop Payment.

PROCEDURES: Central Review of Imprest Cash

OFM:

- Reviews compliance with this policy as a part of the audit process.
 - Request for additional imprest cash authorization may result in compliance review.
- Evaluates aspects of compliance as part of compliance audit.

Disbursing Imprest Cash

Agency Accounting Staff:

- Verifies and pre-audits replenishment request or agency's own request form and supporting documentation.
- Obtains approval to pay from department manager.

Custodian:

- Processes payment.
- If payment is by check, enters explanation on stub and check number on replenishment voucher/request form and supporting documentation.
- If cash payment, completes Form A-24-A, Imprest Cash Receipt.
- Cancels A-774, Replenishment Request, and supporting documentation with rubber stamp showing PAID BY IMPREST CASH; enters check number on Form A-774.

Effective Use of Imprest Cash

Agency Accounting Staff:

- Documents imprest cash payment, pre-audit and approval on Form A-23 (Travel Expense Voucher), Form A-30 (Payment Voucher), Receiving and Disbursement Voucher, Form A-772 (Imprest Cash Travel Advance Request), Form A-773 (Imprest Cash Payroll Payment Request), or Form A-774.
 - Attaches supporting documentation to original voucher.
 - Cancels original voucher and invoice with rubber stamp showing PAID BY IMPREST CASH and provides space for entry of the check number.
- Assigns a number to vouchers, request forms, or petty cash receipts from a series not used for payment documents which are processed through the central accounting system.
 - Payments via imprest cash check are described as such on the stub.
 - Descriptions may include vendor payment, travel advance, travel expense reimbursement, payroll payment, or cash box replenishment.
- Imprest cash custodian must not approve imprest cash payments.

- Determines appropriate amount of petty cash for cash boxes and change drawers.
 - Retains documentation of criteria used for determining distribution of amounts for audit purposes.
 - Retains documentation for pre-audited and approved payments made from imprest cash.
 - Includes supporting documents for payments of \$50 or more: written authorization to purchase (Departmental Purchase Order, contract, etc.), certification of receipt of goods or services, and vendor invoice.
 - Supports payments less than \$50 by approved internal requisition and cash register receipt or vendor invoice bearing signature of employee receiving goods or services.
- Computes monthly turnover rate:
 - Divides month's payments submitted for replenishment by the available balance, i.e., effective balance (see glossary) minus average replenishments in transit, average travel advances outstanding and average payroll payments outstanding.
 - Resulting amount indicates number of times available balance turned over for the month.
 - Turnover analysis determines if money distributed to imprest cash checking accounts and cash boxes is being used effectively.
 - OFM uses an average turnover rate of 1.5 times per month for a 12-month period as a standard for effective imprest cash use.

Agency Chief Financial Officer:

- Annually reviews approved amounts of each imprest cash checking account, cash box and change drawer to determine if amounts are adequate, but not excessive.
 - Retains documentation of review for audit purposes.
- Ensures imprest cash is used per this procedure reviewing all checks and backup documentation; resolves discrepancies found in report reconciliation, i.e., recurring cash shortages, etc.

Emergency Payment

Agency Accounting Staff:

- Requests verbal approval from OFM for emergency payment which is greater than \$100, but less than \$1,000.
- Forwards A-777, Emergency Vendor Payment Request, to OFM for approval.
- See Procedure 1210.05 for processing all other emergency payments.

Lost Payroll Warrant

Agency Payroll/Personnel Staff:

- Completes applicable portions of Form A-773.
- Obtains Form M-1004, Request for Stop Payment, from Treasury, Bureau of Management Services.
 - Completes and submits Stop Payment form to Treasury, Bureau of Management Services.

Agency Accounting Staff:

- Verifies and pre-audits Form A-773; obtains approval to pay from department manager.

Custodian:

- Processes payment.
 - If payment is by check, enters explanation on stub.
 - If cash payment, completes Form A-24-A.

- Cancels Form A-773 and supporting documentation; retains in outstanding payroll payments file.
- Deposits replacement warrant to imprest cash checking account; or records deposit of replacement warrant by Treasury when notification is received.
- Completes repayment section of Form A-773 and retains with documentation in repaid payroll payments file.

Department of Treasury:

- Processes stop payment.
- Forwards replacement warrant to department accounting office; or deposits amount of warrant into imprest cash account.
 - If replacement warrant is not needed, Treasury does not write a warrant, but deposits amount in the account.

Outstanding Imprest Cash Checks

Agency Accounting Staff:

- Determines which imprest cash checks have been outstanding 6 months or more when performing monthly checking account reconciliation.
- Adds amount of checks to checkbook balance; does not include this amount on replenishment voucher if it has been previously replenished.
- Writes imprest cash check to the State of Michigan for amount of outstanding check.
 - Enters check number, payee name and date of outstanding check on stub of new check for audit trail.
- Prepares Form A-29, Receipts Voucher, to deposit above mentioned imprest cash check to the agency liability suspense account.
 - See Policy 1210.25.
- Escheats amount of any check not cashed within 2 years from its issue date.

Overage or Shortage of Imprest Cash

Imprest Cash Reconciler:

- Identifies cause of cash overage or shortage.
 - Disposes of cash overage immediately.
 - Remits overage amount by Form A-29 as miscellaneous revenue to the fund in which imprest cash authorization is recorded.

Custodian:

- For shortage, prepares Form A-24-A in amount of the shortage as supporting documentation for a replenishment request.

Agency Manager:

- Signs Form A-24-A and attaches to replenishment document.
- Accounts for shortage as a payment.
- Reports any shortage resulting from an irregularity per Governor's Executive Directive 191210 and Procedure 1270.01.

Payroll Payment/Adjustment

Agency Payroll-Personnel Staff:

- Before requesting for issuing an imprest cash check to replace a payroll warrant, places stop payment on the warrant contacting Treasury, Bureau of Management Services.

- Stop payment procedure for warrants differs from imprest cash checks. (See Procedure 1210.19.)
- For payroll payments to be made from imprest cash, initiates Form A-773; includes supporting documentation and reason for request.
 - Personnel officer's signature on Form A-773 certifies proper payment.
- Completes applicable portions of Form A-773.
- Enters proper payroll payment/adjustment transaction into PPRISM.
- Pursues payroll payments outstanding more than 2 pay periods to ensure prompt replenishment of imprest cash.

Agency Accounting Staff:

- Reviews and pre-audits Form A-773.
- Obtains approval to pay from department manager.
- Does not replenish outstanding payroll payments to checking accounts, but accounts for them in total as a reconciling item between the checkbook balance and checking account approved amount.
- Retains and verifies Form A-773 for outstanding payroll payments when payroll warrants are received.
 - Resolves any balance due from or to employee when the warrant is deposited.
- Includes date of replenishment, warrant number, amount, and details concerning final settlement on Form A-773; retains in repaid payroll payments file available for audit.
- Receives and forwards payroll warrant containing gross pay adjustment from subsequent pay, to imprest cash custodian for depositing into imprest cash account.

Custodian:

- Processes payment.
- If payment is by check, enters explanation on stub; or if cash payment, completes Form A-24-A.
- Cancels Form A-773 and supporting documentation using a rubber stamp showing PAID BY IMPREST CASH; enters check number on Form A-773 and retains in outstanding payroll payments file.
- Completes repayment portion of Form A-773.
- Retains Form A-773 and related documentation in repaid payroll payments file.
- If 2 pay dates pass with no repayment, provides written notification to personnel officer for follow-up.

Reconciling Imprest Cash

Agency Accounting Staff:

- Reconciliation of imprest cash accounts must not be performed by the custodian whose cash box, change drawer or checking account is being reconciled.
- Documents reconciliation on verification report certifying that: (1) count of cash and non-cash items is correct; (2) disposition of imprest cash is correct; and (3) authorization for allocation of imprest cash funds was administered in accordance with this procedure.
 - Lists non-cash items on plain paper.
 - Forwards report to agency official responsible for imprest cash checking account which finances the cash box or change drawer.
- On a monthly basis:
 - Verifies approved amounts of cash boxes and change drawers.
 - Documents reconciliation on Form A-775, Reconciliation Report.

- Reconciles approved amount of each cash box and change drawer with coin, currency and non-cash items on hand.
- Reconciles bank statement to checkbook for each imprest cash checking account.
- Reconciles bank statement balance to checkbook balance to approved checking account amount at end of month.
- Records amount of replenishments and disbursements, number of replenishment requests and vouchers for the month; enters certification.
 - Reconciler and agency official responsible for imprest cash checking account must provide certification on Form A-775.
- Forwards reconciliations to department's chief financial officer.
 - If requested by chief financial officer, forwards report of monthly bank-to-book reconciliation to department's central office.
- Performs and reports reconciliation to the chief financial officer at least as of the end of each fiscal year.
 - Reporting may occur more frequently at the discretion of the chief financial officer.
- Annually, completes Form A-775 for each imprest cash checking account.
 - Reconciles bank statement to: (1) checkbook; (2) detail checking account activity; and (3) disposition of approved amount.
 - Uses plain paper for vouchers in transit.
 - Forwards report to department's chief financial officer and if requested, includes record of vouchers in transit.

Cash Box, Change Drawer, and Checkbook Custodians:

- Enters certification on Form A-775.

Agency Chief Financial Officer:

- Verifies reconciliations for accuracy.
- Uses Form A-775 to verify disposition of appropriate imprest cash authorization.
 - At fiscal year-end:
 - Reports disposition in a memo to OFM which includes:
 - Statement effective date.
 - Location, custodian and approved amount of each cash box and change drawer financed by the checking account.
 - Location, custodian, authorized check signer(s), effective balance, approved amount, Treasury account number and account number of each checking account comprising imprest cash authorization.
 - Authorized balance.
 - Certification of chief financial officer verifying imprest cash is being used and accounted for pursuant to this procedure.

-- Forwards to OFM: 2 copies of certified reconciliation for all checking accounts, cash boxes and change drawers to authorized balance of each imprest cash authorization.

- A separate annual statement is required for each imprest cash authorization.
- Annually reviews reconciliations and verifications to determine if approved amounts are adequate, but not excessive.

OFM:

- Notes on annual reconciliation if amounts agree to OFM records.
- Forwards copy of annual reconciliation to Treasury, Receipts Processing Division.

Replenishing Imprest Cash

Agency Accounting Staff:

- Posts replenishment using Form A-2-A after Department of Treasury custodian has verified the transaction via on-line terminal inquiry.
 - Checkbook posting date cannot be prior to on-line inquiry system posting date.
- Deposit slips are not processed by the central accounting system and therefore may be posted as of the date received by Treasury.

Cash Box Replenishment

Cash Box Custodian:

- Replenishes cash box only from checking account by which it was established.
 - Form A-774 records cash box payments being replenished, summarizes payment accounting entries and transmits a request from the cash box custodian to the checking account custodian.
 - Form A-774 must be pre-audited.
- Completes Form A-774; attaches supporting documentation.
- Cashes replenishment check, places coin and currency in cash box.
- Retains copy of Form A-774 to substantiate those in process, assist in verification report preparation and maintain a history of cash box use.

Agency Accounting Staff:

- Pre-audits Form A-774.
- Replenishment must be approved before replenishment check is issued.
- Obtains approval to pay from department manager.

Checkbook Custodian:

- Issues replenishment check payable to cash box custodian's name and location.
- Files Form A-774 and supporting documentation.

Change Drawer Replenishment

Change Drawer Custodian:

- If shortage occurs, prepares Form A-24-A in amount of the shortage to provide supporting documentation for procurement of replenishment request.
 - Obtains approving signature on Form A-24-A.
- Forwards Form A-24-A and Form A-774 for payment.
- Cashes replenishment check.
 - Places coin and currency in change drawer.

Agency Accounting Staff:

- Verifies and pre-audits Form A-774.
- Obtains approval to pay from department manager.

Checkbook Custodian:

- Issues replenishment check payable to change drawer custodian's name and location.
- Files A-24-A and A-774 forms.

Checking Account Replenishment

Checkbook Custodian:

- Prepares Form A-24-A to replenish imprest cash checking account.
 - Form A-24-A may contain entries for 1 imprest cash authorization and 1 checking account, except if agency uses a parent-subsidary replenishment.
 - Agency uses its central office imprest cash checking account as a parent account for replenishing subsidiary checking accounts at outlying locations.
 - Parent and subsidiary checking account must be part of the same imprest cash authorization.
 - Subsidiary's custodian prepares same type of replenishment voucher as would normally be the case and forwards the voucher to the agency's central office.
 - The central office verifies replenishment voucher for completeness and accuracy then issues a check payable to the State of Michigan (subsidiary account name) imprest cash, from the parent account reimbursing the subsidiary account.
 - The check may be returned to the outlying location for deposit; or central office maintains a supply of deposit slips for subsidiaries to deposit the replenishment check upon issuance.
- When preparing replenishment voucher for a parent account, includes accounting entries from the subsidiaries' replenishments.
 - Agencies using this method for replenishing checking accounts must obtain written approval from OFM.
 - Approval provides authorization to replenish checks over \$100 and deposit checks to subsidiary accounts.
- Except for entries to the balance sheet clearing account of imprest cash, credits recorded in replenishment vouchers must be explained.
 - Expenditure credits may be used to:
 - Reflect a credit memo issued by a vendor in lieu of cash refund.
 - Correct an error in a previous replenishment voucher.
 - Make authorized corrections to balance the checking account with its approved amount.
- Returned, uncashed imprest cash checks for which replenishment vouchers have been processed must not be netted against debits in subsequent replenishment vouchers.
- Undeliverable checks in payment of claims against the State of Michigan are receipt vouchered to credit a designated liability account.
- Requests any open claim to be escheated after 2 years.

- If a check does not represent valid payment of a liability against the state, receipt voucher it to the expenditure account against which it was originally charged or to a prior year expenditure refund revenue account.
- Voids and adds back to the checkbook balance any uncashed checks drawn in error which will not be issued and have not been replenished.
 - Do not enter such checks on replenishment voucher or deposit slip.
- Stamps VOID on check's signature block to properly void the check.
 - Do not remove signature block.
- Retains voided and canceled checks so the custodian can account for all check numbers.

NOTE: A mutilated check cannot be processed by Treasury's automated check handling system if it is deposited back to the checking account.

- Warrants and checks may only be deposited to checking accounts to repay travel advances or payroll payments.
 - Deposits coin, currency, state warrants, checks or other drafts to imprest cash checking accounts only upon approval of OFM.
- Only those means identified in this procedure are used to replenish an imprest cash checking account without written approval of OFM.
- Reconciliation is not required on replenishment documents.
- After Form A-24-A has posted, records replenishment as a deposit to the checking account.

Agency Accounting Staff:

- Pre-audits and obtains approval for Form A-24-A.
- Assigns number to Form A-24-A and submits for processing.

Treasury, Receipts Processing Division:

- Processes transfer to agency's imprest cash checking account.

Request for Imprest Cash

Agency Chief Financial Officer:

- Forwards written request to OFM to establish new imprest cash authorization/checking account or change authorization or authorized balance.
- Upon notification of approval and receipt of Form A-2, Request for Journal Voucher (JV), processes any necessary transfer.

OFM:

- Reviews request; provides written notification to chief financial officer of approval or denial.
- Forwards request and summary of request for authorized balance change to State Administrative Board if necessary.
- Upon approval of State Administrative Board, processes a JV and forwards a copy of the JV to the chief financial officer.
- Forwards applicable imprest cash checking account information to Treasury.

Requesting Stop payment of Imprest Cash Check and Reporting Suspected Forgery

Agency Accounting Staff:

- Initiates stop payment request for imprest cash check when the need becomes apparent.
- Telephones manager of Treasury, Receipts Processing Division, Transactions Control Section and provides:
 - Checking Account Number.

- Check Number.
- Payee Name.
- Amount and Date of Check.
- Name of Person Requesting Stop Payment.
- Reason for Stop Payment.
- If check is outstanding, prepares Form F-1193, Stop Payment.
 - Forwards to Treasury, Receipts Processing Division.
- Receives canary copy of date-stamped Form F-1193 from Receipts Processing Division proving stop payment processed.
 - Only at this time may a replacement check be issued.
- If check was cashed and stop payment cannot be issued, requests Receipts Processing Division to forward a copy of both sides of the check so a determination may be made of a forged endorsement.
 - If forgery is suspected, refers to Treasury Bulletin BM-33001; files Form M-1002, Affidavit, with Treasury, Bureau of Management Services.

Treasury, Receipts Processing Division:

- Indicates whether or not the check was cashed.

Travel Advance

Agency:

- Issues temporary travel advance from imprest cash per this procedure and standardized travel regulations.
- Replenishes advances:
 - Accounts for outstanding travel advances as a reconciling item between a checkbook balance and checking account approved amount.
 - A cash box may be replenished from a checking account for temporary travel advance payments.
- Issues temporary travel advance to employee whose duties include occasional travel.
 - The advance must be for a specific instance of travel.
 - A temporary advance is limited to estimated travel expenses.
 - Advance cannot be paid more than 5 work days before travel begins.
 - Employee's travel voucher must be sent within 5 work days after travel period has been concluded to allow adequate time for pre-auditing.
 - If the total travel expense is less than temporary advance amount, the employee must repay the difference when a travel voucher is submitted.
- Requests temporary travel advance on Form A-772.
 - Agency may use its own form if it contains data required on the travel advance request.

- Pre-audits approved request form for mathematical accuracy and propriety.
- If advance is paid by check, cancels request form with rubber stamp showing PAID BY IMPREST CASH; enters check number on the request form.
- If advance is paid from a cash box, completes Form A-24-A entering TRAVEL ADVANCES the in accounting area of the form.
- Records temporary travel advance on Form A-771, Travel Advance Ledger.
 - Reconciles imprest cash authorized balance; reconciles Form A-771 detail accounts to the control account and corrects any errors.
- Issues a credit card for travel expenses to employees who are frequent travelers.

Agency Employees and Supervisors:

- Complete applicable portions of Form A-772.

Agency Accounting Staff:

- Verifies and pre-audits Form A-772.
 - Advance is not allowed if employee has a state credit card.
- Obtains approval to pay from department manager.
- Arranges to receive employee's travel warrant from Treasury; transfers to custodian.

Custodian:

- Processes payment.
- If payment is by check, enters explanation on stub. Enters check number on Form A-772 and supporting documentation.
- If cash payment, completes Form A-24-A.
- Cancels Form A-772 and supporting documentation with rubber stamp showing PAID BY IMPREST CASH.
- Records travel advance amount as a receivable on Form A-771, Travel Advance Ledger.
- Reconciles detail ledger balances with control balances at end of month.
 - Whenever possible, has reconciliation performed by another staff person for internal control purposes.
- Deposits warrant into imprest cash account.
 - If warrant amount is more than the advance, issues check to employee.
- Records repayment information on Form A-772.
- Periodically follows-up on outstanding temporary advances.

Employee's Supervisor:

- If expenses are less than advance amount, collects difference from employee when Form A-23 is submitted. Forwards money and Form A-23 to accounting staff.

Undeliverable Imprest Cash Check

Agency Accounting Staff:

- If payee cannot be located, deposits check in agency liability suspense account.
- Escheats amount of check not cashed within 2 years from issue date.

* * *